

EXECUTIVE SECRETARIAT ROUTING SLIP

TO:		ACTION	INFO	DATE	INITIAL
1	DCI				
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9	Chm/NIC				
10	GC				
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13	D/Pers				
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Remarks:

Executive Secretary

5/9/84

Date

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THE WHITE HOUSE
WASHINGTON

Executive Registry

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CABINET AFFAIRS STAFFING MEMORANDUM

Date: 5/8/84 Number: 168984CA Due By: _____

Subject: Cabinet Council on Economic Affairs - May 10, 1984 - 10:00 A.M.

Roosevelt Room

TOPIC: Economic Issues at OECD Ministerial

ALL CABINET MEMBERS	Action	FYI		Action	FYI
Vice-President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Baker	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Deaver	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HHS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Jenkins	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
HUD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	McFarlane	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Svahn	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Education	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Counselor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
UN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
GSA	<input type="checkbox"/>	<input type="checkbox"/>	CCCT/Gunn	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EPA	<input type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OPM	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/	<input type="checkbox"/>	<input type="checkbox"/>
VA	<input type="checkbox"/>	<input type="checkbox"/>	CCHR/Simmons	<input type="checkbox"/>	<input type="checkbox"/>
SBA	<input type="checkbox"/>	<input type="checkbox"/>	CCLP/Uhlmann	<input type="checkbox"/>	<input type="checkbox"/>
			CCMA/Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>
			CCNRE/	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

The Cabinet Council on Economic Affairs will meet on Thursday, May 10, at 10:00 A.M. in the Roosevelt Room.

The agenda and background paper are attached.

RETURN TO:

☐ Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823

☐ Katherine Anderson
☒ Tom Gibson

☐ Don Clarey
☐ Larry Herbolzheimer

Associate Director
Office of Cabinet Affairs

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THE WHITE HOUSE

WASHINGTON

May 8, 1984

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: ROGER B. PORTER *RBP*

SUBJECT: Agenda and Paper for the May 10 Meeting

The agenda and paper for the May 10 meeting of the Cabinet Council on Economic Affairs are attached. The meeting is scheduled for 10:00 a.m. in the Roosevelt Room.

The Council will discuss preparations for the Organization for Economic Cooperation and Development (OECD) Ministerial, May 17-18, 1984 in Paris. The Department of State, working with Treasury, Commerce, USTR and other agencies has prepared the attached scope paper describing the objectives, strategy, and key issues we expect will be discussed at the Ministerial.

Attachments

THE WHITE HOUSE

WASHINGTON

CABINET COUNCIL ON ECONOMIC AFFAIRS

May 10, 1984

10:00 a.m.

Roosevelt Room

AGENDA

1. Economic Issues at the OECD Ministerial (CM # 470)

Scope Paper

TO: Co-Chairmen of the U.S. Delegation

SUBJECT: Scope Paper: Your Participation in the Meeting of the
OECD Council of Ministers, May 17-18, 1984

I. Objectives

A. Support U.S. international economic policy; and thereby contribute to a successful Summit by obtaining communique language supporting:

- sound and steady monetary and fiscal policies to consolidate the gains made in reducing inflation and to establish a climate for sustainable growth of output and employment;
- reduction and elimination, of structural rigidities and other barriers to labor and capital mobility;
- reduction of public sector spending, budget deficits, and the degree of government involvement in the economy;
- maintenance and liberalization of international trade by expansion of open markets with special attention to services, high technology and agriculture;
- preparation for a new global round of trade negotiations;
- further liberalization of and improved climate for investment flows among OECD countries and between OECD and developing countries
- reaffirmation of debt strategy approved at the 1983 OECD Ministerial with particular attention to the interaction of trade, finance and domestic policy with development;
- Commitment to achieving greater discipline and transparency in the use of mixed credits as export subsidies; and
- continuing OECD work on East-West economic issues, noting additional evidence of the longer-term uncompetitiveness of the Eastern economies.

B. Provide opportunity for the smaller OECD countries to discuss their concerns, particularly on Summit topics.

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II. Setting and Strategy

This Ministerial is important to the United States on two main counts: First, it can further boost public confidence that OECD governments are acting to strengthen and broaden economic recovery across sectors and across borders; Second, by doing so, it can help pave the way for a successful outcome at the London Summit.

Our essential objectives should be reflected in the text of the agreed communique and various confidential directives for future substantive work in the OECD.

Issues for the Ministerial will have been vetted in other OECD bodies:

--debt, trade, investment and East-West issues by the OECD Executive Committee in Special Session, April 26-27, attended by Under Secretary Wallis; and

--macroeconomic policy issues by the Economic Policy Committee, May 2-3, chaired by Martin Feldstein.

The co-chairmen of the U.S. delegation will be: Deputy Secretary of State Dam, Secretary of the Treasury Regan, Secretary of Commerce Baldrige, USTR Brock, and CEA Chairman Feldstein. Deputy Secretary Dam will address two agenda items (Finance, Trade, and Development and Investment); Secretary Regan will be responsible for the Debt Strategy and the item on Achieving Durable Growth with Secretary Baldrige discussing Positive Adjustment Policies. Trade issues will be covered by USTR Brock and Secretary Baldrige.

This Ministerial takes place against a backdrop of increasing optimism as recovery in OECD economies now appears firmly established. High unemployment remains a concern in many countries. Our European allies can be expected to voice once again their frustration with U.S. economic policy, but they now increasingly accept that reducing rigidities in their own economies is essential to durable growth. Several key countries are concerned about international financial stability and the debt situation. Some (including France) are likely to oppose initiatives, especially in the trade field, suggested by the OECD Secretary General.

The presence of the six European neutrals in the OECD restricts the "political" objectives we can pursue there. The neutrals and to some extent other member countries are willing to examine East-West relations from a purely economic perspective, but are reluctant to agree to judgemental conclusions because of their political concerns. Nevertheless, we should use the

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Ministerial to obtain as specific conclusions as possible regarding a "coordinated" approach to East-West economic issues and reference to the need for further OECD work in this area. This would establish a point of reference on East-West economic questions for the Summit.

III. Key Issues

1. Finance, Trade, and Development

Essential Factors: Document C/M(84)2 discusses the inter-relationships among trade, finance, debt, and development. Secretary General van Lennep perceives a vacuum in the international multilateral mechanism for formulating a longer-term strategy for integrating the developing countries into the world economy. He argues for a "policy framework" for improved financial flows to the LDCs and believes the OECD should provide a locus for informal discussions with selected LDCs on several of the issues.

Other Nations' Objectives: Looking at the subset of LDCs that are debtors countries. Other OECD members believe the debt strategy is sound as far as it goes but seek new, "medium-term" measures to deal with the problem. Some question the Secretariat's emphasis on direct investment flows and favor increased levels of official development assistance. Many argue that \$9 billion in IDA VII resources is insufficient. Some, including Switzerland, believe the OECD should play a role in furthering dialogue with individual LDCs.

Elements of U.S. Position

--The debt strategy being pursued is, in fact, a medium-term strategy, and it is working. We are open to improvements.

--Appropriate adjustments can most easily be made in flexible economic regimes which emphasize market responses and de-emphasize governmental intervention. (Performance of U.S.S.R. and Eastern European economies provides significant contrast.)

--Maintaining and expanding open markets in OECD countries is supportive of the LDC adjustment process and a key to resolving LDC debt service problems.

--We place a high priority on achieving discipline and transparency in use of mixed credits as export subsidies.

--We endorse the Secretariat's emphasis on the need for increased private direct investment as a source of foreign exchange for the developing countries, and correspondingly, on the need for LDC policies which will encourage such flows.

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2. International Trade: Present and Future Challenges

Essential Factors: In terms of our objectives for the Summit, we would like the Ministerial to endorse and support the work done in the OECD Trade Committee to orient trade policy activity (the rollback, the on-going OECD work program and proposed GATT round) toward the medium-term economic strategy we have been discussing with our major trading partners. Sensing competition from elsewhere (e.g., the Trade Quadrilateral), van Lennep has his own agenda: to secure a role for the OECD in trade policy work in the period ahead. The Secretariat document C/M(84)4 is generally helpful. It discusses the Secretary General's two-phase approach to rolling back protectionist measures. This includes accelerated implementation of Tokyo round tariff cuts and a seven point program of actions which might be taken over the next two years to dismantle or eliminate trade distorting measures.

Other Nations' Objectives: Because of economic and political constraints in many European countries, some of our principal trading partners take a more cautious view of van Lennep's "rollback" proposals than we do.

Elements of U.S. Position

--We share and support the goals of the Secretary General both as they relate to dismantlement of existing and recently raised barriers to international trade and to the need for preparations for a new round of negotiations. We seek appropriate communique language on these subjects.

--We must avoid hollow rhetoric on dismantlement that raises expectations unjustifiably.

--Current efforts in the OECD to study trade in new areas such as services and high-tech, and to establish links between trade policies and investment, are making headway. Ministers should renew and strengthen the mandates of the Committees involved.

3. International Investment and Multinational Enterprises

Essential Factors: In 1976, Ministers adopted a Declaration on International Investment and Multinational Enterprises. The aim of the Declaration was to strengthen cooperation among member countries with respect to international investment through inter-related instruments dealing respectively with guidelines for multinational enterprises, national treatment for firms under foreign control, and international investment incentives and disincentives. The OECD Committee on International Investment and Multinational Enterprises (CIME) has reviewed the 1976 package and transmitted its report (Document C/M(84)5) for Ministers'

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endorsement. This item is expected to be pro-forma unless other national delegations use the occasion to re-open an agreement reached in CIME on "conflicting requirements" imposed on multinational enterprises due to extraterritorial application of national laws (read U.S.).

Other Nations' Objectives: The U.K. and other OECD members told us in early 1984 that they required recognition (in OECD) that advance notification or consultation in some forum, either bilateral or multilateral, on actions giving rise to conflicts of jurisdiction is a good thing on those (rare) occasions when feasible. A procedural solution acceptable to us has been negotiated in CIME and we do not intend to re-open the issue at the Ministerial.

Elements of U.S. Position

--We are satisfied with the conclusions reached during the 1984 Review of the 1976 OECD Declaration on International Investment and Multinational Enterprises and the related decisions.

--If proposed by others, we would oppose any separate Ministerial "initiative" on extraterritoriality beyond what has been negotiated in the CIME.

--We seek Ministerial communique language agreeing to keep OECD economies open to foreign direct investment and calling for continued OECD work on further liberalization of entry restrictions on direct investment and of exceptions to national treatment.

4. Achieving Durable Economic Growth: Flexible Adjustment in a Changing World

Essential Factors: The OECD Secretariat argues that better medium-term policies are needed to translate economic recovery into durable economic expansion across sectors and countries. Secretariat document C/M(84)7 outlines a policy strategy calling for: (a) a stable economic framework conducive to continued inflation control, job creation, and decisions to invest; (b) flexibility and innovation, reducing rigidities in economic and social structures; (c) dismantlement of trade barriers and trade-distorting domestic measures; and (d) strengthened financial, trade, and investment relations with LDCs. We are pleased with the medium-term thrust adopted by the Secretariat, particularly the emphasis on adjustment measures in capital and labor markets. We support Secretary General van Lennep's proposal to include structural adjustment policies in the annual OECD country economic reviews.

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Other Nations' Objectives: At the February "mini-Ministerial" most European countries acknowledged the urgency of removing barriers to adjustment to solve their unemployment problems, although there was no consensus on how that might be done. OECD members can be expected to voice concerns about U.S. budget deficit, interest rates and the strong dollar.

Elements of U.S. Position

--We reaffirm the need to pursue sound and steady monetary and fiscal policies to consolidate the gains made in reducing inflation and provide a framework conducive to private sector expansion.

--We should reduce and eliminate, where possible, barriers to labor and capital flows across sectors, particularly in European countries, in order to improve employment prospects, and also among countries.

--We must reduce public sector size, deficits, and the level of government involvement in the economy to permit market, rather than government, allocation of resources.

--We seek to maintain and, where possible, increase the openness of markets to permit continued expansion of trade among OECD countries.

--We recognize that the contribution of sustainable OECD growth to improvement in the LDC debt situation can be enhanced by improving LDC access to OECD markets and encouraging LDCs to remove obstacles to foreign direct investment.

WJB
Drafted:EUR/RPE/OECD:CGBillo
Doc. 3359B, 2-0326, 4/30/84

Clearance:EUR/RPE:JWHolmes
EUR:TMTNiles
E:RMorris
EB:DLamb
S/P:HDeSantis
P:WMontgomery
Treasury:CCannon
USTR:GFeketekuty
Commerce:THauser

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